

AMENDED IN SENATE JUNE 16, 2014

AMENDED IN ASSEMBLY MARCH 24, 2014

AMENDED IN ASSEMBLY MARCH 20, 2014

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

## ASSEMBLY BILL

**No. 1439**

---

**Introduced by Assembly Members Salas, Bonta, and Frazier**  
**(Coauthors: Assembly Members Achadjian, *Bigelow*, Bocanegra,**  
**Bonilla, ~~Bonta~~, Brown, Ian Calderon, Campos, Conway, Cooley,**  
**Daly, Eggman, Fox, Gonzalez, Gray, Grove, Roger Hernández,**  
**Holden, Jones-Sawyer, Levine, Medina, Melendez, Mullin,**  
**Nazarian, *Nestande*, Perea, V. Manuel Pérez, Quirk-Silva,**  
**Rendon, Ting, Waldron, and Wilk)**  
(Coauthors: Senators Lara, Pavley, and Vidak)

January 6, 2014

---

An act to amend Section 17539.1 of the Business and Professions Code, relating to sweepstakes.

### LEGISLATIVE COUNSEL'S DIGEST

AB 1439, as amended, Salas. Unfair business practices: contests and sweepstakes.

Existing law generally regulates false advertising and specifically prohibits certain unfair acts or practices undertaken by, or omissions of, a person in the operation of a contest, including misrepresenting the odds of winning a prize or failing to award and distribute all prizes. A violation of this provision is a misdemeanor.

This bill would apply the prohibition described above to unfair acts or practices undertaken by, or omissions of, a person in the operation of a sweepstakes, as defined. The bill would also prohibit using or

offering to use any method intended to be used by a person interacting with an electronic video monitor to simulate gambling or play gambling-themed games in a business establishment that directly or indirectly implements the predetermination of sweepstakes cash, cash-equivalent prizes, or other prizes of value, or otherwise connects a sweepstakes player or participant with sweepstakes cash, cash-equivalent prizes, or other prizes of value. By creating new crimes, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: yes.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. Section 17539.1 of the Business and Professions
- 2 Code is amended to read:
- 3 17539.1. (a) The following unfair acts or practices undertaken
- 4 by, or omissions of, any person in the operation of any contest or
- 5 sweepstakes are prohibited:
- 6 (1) Failing to clearly and conspicuously disclose, at the time of
- 7 the initial contest solicitation, at the time of each precontest
- 8 promotional solicitation and each time the payment of money is
- 9 required to become or to remain a contestant, the total number of
- 10 contestants anticipated based on prior experience and the
- 11 percentages of contestants correctly solving each puzzle used in
- 12 the three most recently completed contests conducted by the person.
- 13 If the person has not operated or promoted three contests he or she
- 14 shall disclose for each prior contest if any, the information required
- 15 by this section.
- 16 (2) Failing to promptly send to each member of the public upon
- 17 his or her request, the actual number and percentage of contestants
- 18 correctly solving each puzzle or game in the contest most recently
- 19 completed.
- 20 (3) Misrepresenting in any manner the odds of winning any
- 21 prize.

1 (4) Misrepresenting in any manner, the rules, terms, or  
2 conditions of participation in a contest.

3 (5) Failing to clearly and conspicuously disclose with all contest  
4 puzzles and games and with all promotional puzzles and games  
5 all of the following:

6 (A) The maximum number of puzzles or games that may be  
7 necessary to complete the contest and determine winners.

8 (B) The maximum amount of money, including the maximum  
9 cost of any postage and handling fees, that a participant may be  
10 asked to pay to win each of the contest prizes then offered.

11 (C) That future puzzles or games, if any, or tie breakers, if any,  
12 will be significantly more difficult than the initial puzzle.

13 (D) The date or dates on or before which the contest will  
14 terminate and upon which all prizes will be awarded.

15 (E) The method of determining prizewinners if a tie remains  
16 after the last tie breaker puzzle is completed.

17 (F) All rules, regulations, terms, and conditions of the contest.

18 (6) Failing to clearly and conspicuously disclose the exact nature  
19 and approximate value of the prizes when offered.

20 (7) Failing to award and distribute all prizes of the value and  
21 type represented.

22 (8) Representing directly or by implication that the number of  
23 participants has been significantly limited, or that any particular  
24 person has been selected to win a prize unless such is the fact.

25 (9) Representing directly or by implication that any particular  
26 person has won any money, prize, thing, or other value in a contest  
27 unless there has been a real contest in which a meaningful  
28 percentage, which shall be at least a majority, of the participants  
29 in such contests have failed to win a prize, money, thing, or other  
30 value.

31 (10) Representing directly or by implication that any particular  
32 person has won any money, prize, thing, or other value without  
33 disclosing the exact nature and approximate value thereof.

34 (11) Using the word “lucky” to describe any number, ticket,  
35 coupon, symbol, or other entry, or representing in any other manner  
36 directly or by implication that any number, ticket, coupon, symbol,  
37 or other entry confers or will confer an advantage upon the recipient  
38 that other recipients will not have, that the recipient is more likely  
39 to win a prize than are others, or that the number, ticket, coupon,

1 symbol, or other entry has some value that other entries do not  
2 have.

3 (12) Using or offering for use any method intended to be used  
4 by a person interacting with an electronic video monitor to simulate  
5 gambling or play gambling-themed games in a business  
6 establishment that (A) directly or indirectly implements the  
7 predetermination of sweepstakes cash, cash-equivalent prizes, or  
8 other prizes of value, or (B) otherwise connects a sweepstakes  
9 player or participant with sweepstakes cash, cash-equivalent prizes,  
10 or other prizes of value.

11 (13) Failing to obtain the express written or oral consent of  
12 individuals before their names are used for a promotional purpose  
13 in connection with a mailing to a third person.

14 (14) Using or distributing simulated checks, currency, or any  
15 simulated item of value unless there is clearly and conspicuously  
16 printed thereon the words: SPECIMEN—NONNEGOTIABLE.

17 (15) Representing, directly or by implication, orally or in  
18 writing, that any tie breaker puzzle may be entered upon the  
19 payment of money qualifying the contestant for an extra cash or  
20 any other type prize or prizes unless:

21 (A) It is clearly and conspicuously disclosed that the payments  
22 are optional and that contestants are not required to pay money,  
23 except for reasonable postage and handling fees, to play for an  
24 extra cash or any other type of prize or prizes; and

25 (B) Contestants are clearly and conspicuously given the  
26 opportunity to indicate they wish to enter such phase of the contest  
27 for free, except for reasonable postage and handling fees the  
28 amount of which shall not exceed one dollar and fifty cents (\$1.50)  
29 plus the actual cost of postage and which shall be clearly and  
30 conspicuously disclosed at the time of the initial contest solicitation  
31 and each time thereafter that the payment of such fees is required.  
32 The contestants' opportunity to indicate they wish to enter for free  
33 shall be in immediate conjunction with and in a like manner as the  
34 contestants' opportunity to indicate they wish to play for an extra  
35 prize.

36 (b) For the purposes of this section, "sweepstakes" means a  
37 procedure, activity, or event, for the distribution, donation, or sale  
38 of anything of value by lot, chance, predetermined selection, or  
39 random selection that is not unlawful under other provisions of  
40 law, including, but not limited to, Chapter 9 (commencing with

1 Section 319) and Chapter 10 (commencing with Section 330) of  
2 Title 9 of Part 1 of the Penal Code.

3 (c) This section does not apply to an advertising plan or program  
4 that is regulated by, and complies with, the requirements of Section  
5 17537.1.

6 (d) Nothing in this section shall be deemed to render lawful any  
7 activity that is unlawful pursuant to other law, including, but not  
8 limited to, Section 320, 330a, 330b, 330.1, or 337j of the Penal  
9 Code.

10 (e) Nothing in this section shall be deemed to render unlawful  
11 or restrict otherwise lawful games and methods used by a gambling  
12 enterprise licensed under the Gambling Control Act or operations  
13 of the California State Lottery.

14 SEC. 2. No reimbursement is required by this act pursuant to  
15 Section 6 of Article XIII B of the California Constitution because  
16 the only costs that may be incurred by a local agency or school  
17 district will be incurred because this act creates a new crime or  
18 infraction, eliminates a crime or infraction, or changes the penalty  
19 for a crime or infraction, within the meaning of Section 17556 of  
20 the Government Code, or changes the definition of a crime within  
21 the meaning of Section 6 of Article XIII B of the California  
22 Constitution.